



CHEMONICS INTERNATIONAL INC.

GENERAL BUSINESS TRADE AND INVESTMENT (GBTI)  
INDEFINITE QUANTITY CONTRACT

Contract No. PCE-I-00-98-00015-00

Quarterly Performance Report  
April-June 30<sup>st</sup>, 2003

Submitted to:  
Grant Morrill G/EGAD/EM CTO  
U.S. Agency for International Development  
Washington. D.C.

Submitted by:  
Chemonics International Inc.

in collaboration with

Crimson Capital Corporation, Inc.,  
International Business Initiatives, IGI Inc., International Law Institute, Innovation Associates, Inc.,  
The Kenan Institute, Prime International, Sigma One, Plexus Consulting Group, Taylor-DeJongh, Inc.

July 31, 2003

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**Chemonics Consortium**  
**Quarterly Performance Monitoring Report**  
**October - December 2002**

*General Business Trade and Investment*  
*Indefinite Quantity Contract (IQC)*  
*PCE-I-00-98-00015-00*

**I. TASK ORDERS: PROGRESS, ACTIVITIES, RESULTS**

**A. Support to Presidents' Council, TO #804**

*Start Date: February 6, 2001*

*Completion Date: December 31, 2004*

*Amount of Delivery Order: \$1,583,265.00*

**1. Summary of Activities**

The US-Egypt Business Council's activities remained moderate during the period April through June 2003. A number of plans made during the Council's meetings in Cairo in January were put on hold due to the war in Iraq and its negative effects on Egypt's economy and business climate, as well as the resulting limits on travel to and from the Middle East.

That said, the Council and its secretariat undertook a number of activities during the period under review:

- In April, a number of US Council members sent letters encouraging members of the House and Senate to add their signatures to two "Dear Colleague" letters circulating in Congress urging President Bush to begin FTA negotiations with Egypt.
- The Council's FTA Road Map was updated on April 3, 2003 and June 12, 2003.
- In May and June, Larry Milner, an institutional development specialist, joined the secretariat on a short-term basis to determine the US-Egypt Business Council members' willingness to transition the Council into a self-funded organization. This involved:
  - (1) Conducting background research on the Council;
  - (2) Developing a comprehensive survey to gauge the Council's willingness to become self-funding;
  - (3) Interviewing the Council members;
  - (4) Compiling the findings; and
  - (5) Writing a report with recommendations (see attached documents).

- In June, Irving Williamson updated the Trade and Investment Dashboard (see attached documents).
- In June, Irving Williamson prepared a report highlighting major economic and trade policy developments in Egypt from April-June 2003 (see attached documents).
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- In June, Heidi Dodd and Irving Williamson attended select panels at a conference sponsored by the Center for Strategic and International Studies entitled “The U.S. and Egypt: Building the Partnership.”
- During the period Heidi Dodd maintained regular contact with US Council chairman Steve Farris, other members of the Council, staff at the Egyptian Embassy in Washington, DC, and other relevant contacts. She also kept the US and Egyptian Council members apprised of activities going on in Washington, DC, in particular, the status of the “Dear Colleague” letters on Capitol Hill.

## **2. Report On Economic and Trade Policy Developments**

### *Egypt is Still Adjusting to the Flotation of the Pound*

The implementation of Egypt’s January 28 decision to float the pound is still raising some concerns even though it has allowed the pound to depreciate gradually and orderly against the euro and dollar, and has narrowed the gap between the official and black market exchange rates. Decree number 506 of March 24, has been a particular problem for certain companies.

Decree 506 requires companies that earn revenue in foreign currency to convert 75 percent into Egyptian pounds and was prompted by the continued gap in the black market rate for the pound. The decree reportedly has been most actively enforced in the tourism sector where the large companies in the sector often have a high percentage of their transactions denominated in foreign currencies. Analysts have also noted that the decree should be a problem for companies that seek to export manufacturing products. These companies often must import components in order to make products that are competitive on world markets and need foreign exchange for this purpose.

Before introducing Decree 506 in March, the Egyptian government took a number of steps to deal with the foreign exchange shortage and the gap between the official and black market rates. The Central Bank of Egypt (CBE) reportedly released substantial sums of foreign exchange to banks, increased interest rates on local currency to improve the attractiveness of the pound and shut down foreign exchange bureaus that engaged in illicit currency deals. In addition, the pound was helped when the United States extended \$2.3 billion in U.S. loan guarantees and economic grants to offset the negative effects of the war in Iraq.

In early June, IMF Managing Director, Mr. Horst Köhler, gave one the most comprehensive assessments of the problems facing the Egyptian authorities in managing the float of the pound. At a press conference in Dubai on June 6, Köhler was asked whether the float would in the long run help the Egyptian economy given that it did not appear to be doing so now. Because it was not widely reported at the time, Mr. Köhler’s statement deserves to be quoted in full here:

*Well, I have no doubt that more flexibility in the exchange rate regime is good for Egypt, for its growth and adjustment ability on the medium and long-term. I admit that it takes them a bit longer than we would like them to take, to make a flexible exchange rate regime really working smoothly. But, we should also admit and take into account that they need to build up the technical abilities and facilities for a smooth functioning of a flexible exchange rate. Altogether, I do think that the Egyptian authorities should think further how they can adjust more rapidly to the needs of the global economy. On one hand, they should also move to more transparency and on the second hand, give investors more assurance that there is less bureaucracy in their administration. I have no doubt that the huge potential of the Egyptian people and country will pay off at the end for all of them.*

At present, it is not clear how quickly and the extent to which the Egyptian authorities will remove remaining vestiges of the managed exchange rate system, symbolized by decree 506.

#### *Unified Banking Law -- Far Reaching Implications*

The impact of the Unified Banking Law passed in May extends far beyond the question of the Central Bank of Egypt's (CBE) authority over monetary policy. The new law is intended to give the CBE more authority in regulating the banking sector. In contrast, the CBE's authority over monetary policy is still constrained.

In the area of monetary policy, the legislation seeks to harmonize monetary and fiscal policy rather than provide for a central bank whose functions are separate from fiscal policy. The law provides that monetary policy is to be formulated through a Monetary Policy Committee (MPC), which will include some members of the Board of Directors of the CBE as well as ministers and independent experts appointed directly by the President. Thus, the CBE will be under the direct control of the President, as he will appoint both the Governor of the CBE and the Monetary Policy Committee.

Of even more significance, the new law is envisaged as one of the major government initiatives aimed at modernizing the banking sector in Egypt. This modernization strategy is in part the result of Egypt's participation in the IMF/World Bank's Financial Sector Assessment Program, which seeks the diagnosis of potential vulnerabilities and analysis of development priorities for the financial sector of the participating countries. The Government has already taken a number of steps over the last year to strengthen the banking sector and more are planned. The heads of six state-owned banks have been removed and replaced with managers from the private sector. In addition, second-level managers and credit officers have received new training. The new law allows banks to more easily seize collateral from defaulters and facilitates the process of defaulters settling their loans with the banks so that companies can restructure and continue in operation. The CBE will also have new supervisory authority over banks and will closely monitor their lending activities. Egypt is also developing a better credit rating system to further facilitate sound bank lending practices. The financial sector strategy seeks to bring about a more developed banking system similar to that in economically advanced countries. However, some commentators, including the World Bank, have criticized the slowness of the process of privatizing the state-owned banks, which they consider a key step in modernizing the banking sector.

### *IPR Protection-Some Progress Noted*

Egypt's passage of an intellectual property rights law (IPR) last year resulted in it being promoted on May 1 from a "priority watch list country" to "watch list country" in the U.S. Trade Representative's (USTR) annual report on the adequacy and effectiveness of IPR protection around the world (the Section 301 Report). This marks the first time since at least 1997 that Egypt has not appeared on the priority watch list. The new Section 301 Report notes that:

*Egypt made significant progress in strengthening its IPR protections through improvements in its domestic legal and enforcement regimes in 2002. The major development in 2002 was Egypt's passage of a new comprehensive IPR law which represents an improvement in all major facets of Egypt's IPR regime.*

The report adds that while the new law meets certain key requirements of the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS), some provisions in Egypt's IPR laws are still inconsistent with TRIPS. In particular, the report states that Egypt must address TRIPS-inconsistencies in the areas of copyrights, trademarks, and patents, as well as take steps to further strengthen protection of confidential test data, but notes Egypt has committed to address deficiencies in its IPR law through implementing regulations.

The report further states that Egypt must make improved enforcement of IPR laws a priority and do more to reduce piracy. However, the report welcomes Parliamentary approval of Egypt's membership in the World Intellectual Property Organization's (WIPO) Patent Cooperation Treaty (PCT). Following this approval, Egypt deposited its instrument of ratification on June 6 and will become the 121<sup>st</sup> member of the PCT effective September 6. The PCT system facilitates the process of obtaining international patent protection by providing applicants seeking patent protection in multiple countries the ability to file one "international" patent application with one patent office.

### *TIFA Working Groups Offer Opportunities*

In a meeting on October 1, 2002, USTR Robert Zoellick and Egyptian Foreign Trade Minister Youssef Boutros Ghali agreed to form working groups to facilitate rapid progress on priority trade and investment issues in such areas as Customs Administration, Government Procurement, and Sanitary and Phytosanitary (SPS) issues related to agricultural trade. The October 1 meeting took place under the auspices of the U.S.-Egypt TIFA Council, a joint body created by the U.S.-Egypt Trade and Investment Framework Agreement (TIFA). Since October the working groups have met regularly and have particularly focused on agriculture, SPS and customs matters. The working group process deserves to be followed closely as it is a useful vessel for laying the groundwork for free trade agreement (FTA) negotiations and demonstrating that they can succeed.

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**B. Macedonian Business Resource Center, TO #03**

*Start Date: January 1, 2001*

*Completion Date: May 31, 2003*

*Amount of Delivery Order: \$1,905,944.00*

*Task Order #03, Macedonia Business Resource Center, was completed on May 31, 2003.*

*The final report is pending*

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**C. Ukraine Land Titling Initiative (ULTI), TO #811**

*Start Date: June 22, 2001*

*Completion Date: September 20, 2003*

*Amount of Delivery Order: \$14,300,000*

**1. Progress on Overall Objectives**

The Verkhovna Rada passed the Law on Withdrawal of Land Shares in Kind on June 5, 2003 and the President signed it into Law in late June. The draft was prepared by the ULTI legal team and has remained largely in tact throughout the political negotiations in the Rada. The main point that was eliminated from the adopted version was the authority of the local rada to take decisions on land allocation. Against ULTI recommendations and lobbying, the Rada passed a version of the law that authorizes the Raion state administration to make decisions on land allocation.

The Ukraine Land Titling Initiative project team is working on the following issues:

Agricultural Land Titling

Preparation of State Acts

As of this month, ULTI has assisted with the issuance of 455,000 State Acts for agricultural land (approximately 38,000 in this month). The team has verified that these State Acts are issued and in the hands of land share holders. It is important to note that the work of ULTI land survey firms continued to be delayed over the past few months by the enforcement of the illegal Directive No. 23 issued by Derzhkomzem in September 2002. The Directive was eliminated as of July 1, 2003, but the effect of the Order that replaces it (No. 135) is not yet known. At this time the Project team has verified that at least 232,000 State Acts have passed Stage 2 of our contracting phase, meaning that these State Acts are nearing a point when they could be issued to land share holders provided no delays result from the new Order No. 135.

*Contracting for Land Titling Work*



Land surveys and preparation of State Acts continues under 97 contracts covering approximately 852,000 land shares. The Project believes that it has additional resources to cover approximately 150,000 land shares after its current commitments are fulfilled. The Project signed contracts with the private survey firms that won tenders for the 11 tender packages in Zhytomyr this month. The average price per land share under these contracts is \$5.29. As part of the new contracting effort, the Project is implementing the five-party land titling agreement with the oblast department of land resources, the raion administration, the village rada, the private survey firm and the Project itself. This agreement spells out the tasks of each party and deadlines for implementing the work to prepare and issue State Acts to land.

#### *Collaboration with ULRMC on Purchase and Use of Satellite Imagery*

Recently, the Ukrainian authorities declassified (approved) the use of the Indian Remote Sensing (IRS) satellite imagery by the public. Previously, the team determined it to be extremely unlikely that Ukrainian authorities would make such a decision, and prepared an alternative concept for the use of ULRMC funds mandated for support of the ULTI Project. However, the extension of the Project by USAID makes the team believe that satellite imagery can still be productive for land titling work in some oblasts where the Project expects to continue working in the future. Tentatively, the Project is considering extending its financial commitment in two oblasts (in addition to Zhytomyr). The candidates are Chernigiv, Vinnitsa, Ternopil, Rivne, and possibly other oblasts. The team will conduct a critical analysis of where the working conditions are best and determine with which oblasts to begin negotiations. Nevertheless, the purchase of satellite imagery for several oblasts would provide additional negotiating leverage to obtain concessions from oblast authorities on issues critical to land titling work. As previously reported, the value of the IRS satellite imagery is clear to the ULTI team based on overlays of the parcel design map onto the base map prepared using satellite imagery. These tests prove that the imagery is an excellent verification tool that should be used to the fullest extent possible to make sure land titling is accurate.

#### *Cooperation with World Bank on Agricultural Land Titling*

The World Bank's PIU for the Rural Land Titling and Cadastre Development Project began operating in June 2003. The PIU team is just getting organized, but has a long list of tasks to complete over the summer. Members of the PIU team visited the Project to introduce themselves, and hopefully to establish a working relationship with ULTI team members. ULTI also met with the World Bank's technical consultant to discuss cooperation and the Bank's timetable for its project implementation.

#### *Preparation of Land Titling Instructions*

The Verkhovna Rada passed into law the legal team's version of the Law on Allocation of Land Shares in Kind. The President signed the law in June. There are several problem provisions in the draft that were included as a result of Derzhkomzem's lobbying that complicate the issuance of State Act to agricultural land share holders. The main issue is the authority of the raion state administration to make land allocation decisions. This causes problems for local villagers who wish to obtain their State Act – they would have to travel to the raion center to apply for allocation of land – and generally creates more difficult conditions for land titling. The provision was driven by Derzhkomzem's desire to control all issues related to land in the villages.

#### *Cooperation with Swedish NSDI Project to Develop New Parcel Identification Numbering Scheme*

Cooperation between ULTI and NSDI has basically stopped. ULTI continues its work with the Ukrainian firm GeoSystems (initiated under the NSDI cooperation) for the processing of cadastral index maps. To date, the firm has delivered completed village rada boundary maps for fifteen oblasts, and continues to work on rada boundary maps for two more oblasts.

#### *Collection of Land Titling Data in Electronic Format*

The Project has begun to receive data related to the Land Title Data Archive (Archive) from its survey contractors. Examination of the data shows that some problems with land survey and parcel design work may exist. A software package that allows survey firms to run verification of their survey and parcel design work before they print State Acts is now being distributed to survey firms, however, ULTI will still need to conduct some verification on its own to ensure the quality of work and clarify questions arising from an analysis of the data. ULTI has now decided to modify the existing software to allow firms to run verifications prior to printing the State Acts. Development of the modifications should take several months, but would greatly increase the accuracy of the State Acts issued under the Project.

#### *Trouble Shooting*

The team continues to resolve political and procedural problems related to titling agricultural land. The Project's Issue Resolution Manager has implemented a complaint intake and tracking system for the reports of problems and questions that the Project handles on a monthly basis. The first task of the new manager is to design and implement a complaint intake and tracking system. More detail on the most serious of the political and procedural issues is given in Section III on Significant Accomplishments, Problems, and Other Issues.

#### *Impact Survey*

The team prepared a questionnaire and expects to implement a research survey during the summer to assess the economic impact of land titling (obtaining a State Act) on rural land owners. The survey is expected to be national in scope and implemented in no less than eight oblasts to gain a representative sample of new landowners and land share holders. The timetable for implementation is to have the surveys completed by the end of August 2003, after which data entry and analysis will occur, followed by report writing. The team hopes to conclude the research effort by September 30, 2003 and make a formal presentation of its findings to USAID at that time.

#### Non-agricultural Land Titling

##### Issuance of State Acts

As of the end of May 2003, (the last full month of statistics available at the time of this report) 7,912 State Acts were issued as a direct result of the Project's activities, with 356 State Acts issued in the month (71 percent of the monthly goal of 460 State Acts). Of the State Acts issued in the month, 21 were issued on land parcels purchased before August 1, 2001 and 335 on land parcels purchased after August 1, 2001. The total value of land parcels to which State Acts were issued this month is UAH 7.764 million. Collection of VAT on land sales continued to cause problems for the NALT component of the Project.

This month, six regional coordinators reached 100 percent or more of their monthly targets and ten regional coordinators failed to reach even 50 percent of their monthly target for issued State Acts. Table 1 gives complete data on the number of sales, number of State Acts issued, and revenue generated from

land sales by the Project team since it began working in this area in July 2001. Annex 1 to the report shows information on the results of land privatization activity and issuance of State Acts by oblast for the last month. Forty-five of the State Acts issued in the last month were for “secondary sales” of non-agricultural land. There is a total of 703 “secondary sales” on which State Acts are issued as of this month.

It is worthwhile to note that ULTI regional coordinators continue to work on the issuance of titles for another 2,183 land sales (as shown in the table below). This is a relatively stable number from month to month, meaning that in addition to the issuance of State Acts, the team is managing a large number of land sales through the pipeline.

Table 1: Non-agricultural Land Privatization Statistics since August 2001

Number of land privatization sales			Revenue generated from issuance of State Acts (in UAH)	Total Number of State Acts issued with Project assistance	Number of State Acts yet to be issued		
Completed before August 1, 2001	Completed since August 1, 2001				On sales completed before August 1, 2001	On sales completed after August 1, 2001	Total sales
	Installment Sales	Total No. of Sales					
3,740	1,275	7,481	197,283,132	7,912	539	1,644	2,183

#### *Managing the network of regional coordinators*

The Project held its monthly meeting of regional coordinators on June 11, 2003. At the meeting the regional coordinators discussed the cancellation of Derzhkomzem Directive No. 23, the subsequent Order No. 135 mentioned in the cancellation letter, and the impact on land sales of these events. It was clear from the regional coordinators that the cancellation of Directive No. 23 does not guarantee to eliminate all problems associated with registration of State Acts. In fact, the replacement Order No. 135 may make the situation worse as Derzhkomzem concentrates even more on implementing a “registration” system to satisfy the requirements of the World Bank. Other topics discussed included:

- Impact of VAT collections on land sales;
- Results of NALT activity in May 2003;
- Promotional activities in oblasts and raions;
- Marketing of Success Stories of the Project;
- Aspects of expert monetary land appraisal ; and
- Status of new legislation in the Verkhovna Rada.

#### *Measures to Accelerate the Issuance of State Acts*

The team has adopted a number of actions to accelerate the issuance of State Acts to non-agricultural land. The team continues to use the installment contract under which the State Act is issued once the land

purchaser makes the initial payment. Also the incentive plan has resulted in an increase in the number of State Acts issued by some 13 percent since its implementation in November 2002.

The team's activity to promote land auctions continues successfully. The team completed the How-to-Manual on Land Auctions is distributing it through regional coordinators. The program to promote land auctions is also moving forward as shown by the following facts:

A land auction was held in Kovel city (Volyn oblast);  
Shatsk rada (Volyn oblast) announced a land tender;  
The regulation on land auctions, developed by the Project, has been delivered to Kherson Municipal Rada and currently is being considered by the rada's committees;  
The NALT Manager held a meeting with officials of Piryatin city (Poltava oblast) and discussed the organization of a land tender;  
The Lviv Municipal Rada started preparation for the land auction to be held by the end of summer; and  
A fourth application for the assistance in organization of land auction was submitted to the Project (by Kobilyaky Municipal Rada of Poltava oblast).

#### *Promotional Campaign*

In June, the regional coordinators continued holding local seminars for the representatives of enterprises and local governments. Raional seminars were held in Chernivtsi (1), Donetsk (1), Khmelnytsky (2), Odessa (2), Volyn (2), and Zhytomyr (1). Regional coordinators developed and implemented other types of promotional activity as well, including newspaper publications and radio programs.

The team also completed its special issue of the newsletter devoted to land appraisal. The publication includes the following articles:

Appraisal of Non-Agricultural Land in Ukraine  
Legal Basis of Land Appraisal in Ukraine  
Price of Privatization and Methods to Determine It  
Practical Approaches to Non-Agricultural Land Parcels Appraisal  
Analysis of the Current Problem of Effective Management of Land Resources in Settled Areas  
What should Be Scientifically Justifiable Rates of Rental Payment for Land  
Cabinet of Ministers Resolution on Expert Monetary Appraisal of Land Parcels  
Methodology of Expert Monetary Appraisal of Land Parcels  
Derzhkomzem Order on Approving the Procedure for Conducting Expert Monetary Appraisal of Land Parcels  
Procedure for Conducting Expert Monetary Appraisal of Land Parcels  
Statistics on Prices for Land Parcels

#### *Site Visits to Regional Offices*

Piryatin city, Poltava oblast (June 19, 2003)

The NALT manager traveled to Piryatin city to meet with the Mayor, head of the Raion State Administration and other officials to assist in preparing for the sale of city lands. The local rada intends to sell two vacant parcels of land through a land tender or land auction, but is having procedural problems

accomplishing its goal. The local officials asked NALT team representatives to review the legal and other documents prepared in anticipation of the sale. NALT representatives report that the local authority did not prepare the documents properly and recommended that local authorities revise a number of documents and prepared some additional documents to ensure the legality of the sale.

More interestingly, the Piryatin local authorities stated their intention to develop several land parcels along the main road from Kiev to Kharkiv. Currently, a number of cafes, shops and small markets line the road on the subject parcels. The local authorities wish to sell the parcels at a land auction in line with a general development plan for the area adjacent to the well-traveled road. The authorities seek the project's assistance in developing the land auction procedures and package for these parcels, promoting the land auction, and offering other technical and legal support in executing the plan for these auctions. The Project will entertain the proposal from the local authorities and offer a reasonable level of assistance if appropriate.

#### *Status of Non-agricultural Land Titling*

The NALT component produces about 400 State Acts per month through its 28 regional coordinator offices earning \$105,000 per working day (\$2.3 million per month; \$27.7 million per year) for local budgets. These funds are used locally for needed social and economic development activities, and offer additional resources to local budget that have a significant economic impact nationally. Especially remarkable is the fact that the income generated through the ULTI Project is approximately 5.2 times the total cost of the NALT component. Data from collected success stories, records of how the funds generated were used for local development, and a national in-depth Impact Study support the conclusion that continued implementation of this Project component will continue contributing positively to economic growth in Ukraine. One important dimension is that the percentage of State Acts issued for secondary sales each month is 12-15 percent of the total number of State Acts and is a strong indicator showing that the Project is helping to create real land market conditions.

These accomplishments occur despite pervasive government corruption, grudging support and occasional open resistance from our government counterpart (Derzhkomzem), and continuing Derzhkomzem pressure for monopoly status. Without cover from USAID, these obstacles would overwhelm the urban land privatization process making it likely that transparency would dissipate, corruption would expand, government accountability would virtually disappear, and the pace of urban land privatization would dramatically slow. For these reasons it is important for USAID to continue its support of the NALT component of the Project.

#### Legal and Regulatory Work

##### *Draft Legislation, Comments, and Position Papers*

Draft Law on Withdrawal of Land Shares in Kind. As stated above, the draft was passed into law on June 5, 2003. Certain provisions were included in the final version of the law signed by the President with which the legal team does not agree and lobbied hard to exclude. The main provision gives authority to the raion state administration to make decisions on allocation of land shares in kind. The Project fought hard to have such authority rest with the local rada. Despite this provision, the law appears to have passed largely in the form that was originally drafted by the ULTI Project, which is a testament to the

good work of the legal team. Since its adoption, our senior lawyer has given a number of interviews on radio and television discussing the impact of the new law on land titling efforts in rural areas.

Draft Law on Private Family Farms. The ULTI draft of the law was registered in the Verkhovna Rada in September. The Verkhovna Rada may consider the draft in second reading before recess in July.

Draft Law on Land Market. The Vice President of the Ukrainian Academy of Agricultural Sciences, Mr. Anton Tretiak, approached the ULTI Project to propose cooperation on promoting this draft law. The UAAS is familiar with the ULTI draft of the law and agrees with its contents in large part. The Academy could prove very helpful in pushing certain ULTI draft law through the Verkhovna Rada, making cooperation with the Academy worth exploring.

Draft Law on Land Survey. The draft was voted upon in January and a version that was introduced as an alternative to the Derzhkomzem version (which was rejected) was passed in first reading. No further word on this draft.

Draft Law on Amendments to the Land Code. The team's lawyer continued to work with the Verkhovna Rada legal department on changes to the draft. A working group in Derzhkomzem has been formed and our lawyer recently participated in one meeting.

Draft Law on State Survey Expertise. In June a second version of this draft law was introduced into the Verkhovna Rada. ULTI Lawyers reviewed the draft and suspect that Derzhkomzem arranged for a deputy to introduce the draft as his own initiative. The new draft expands the areas in which Derzhkomzem is authorized to conduct state land survey expertise and creates other difficulties for firms wishing to prepare State Acts to land.

Draft Law on Delimitation of Land into State and Communal Ownership. A version of this draft supported by the Association of Ukrainian Cities was passed in first reading. The version is acceptable, but could be substantially improved by adoption of some ULTI recommendations and amendments. In general deputies that are members of the Association agree with our recommendations, but no progress has yet been made on introduction of changes to the draft passed in first reading. No further developments on this draft law.

Draft Law on Taking of Privately Owned Land for Public Purposes. The Project prepared a new draft of this law, along with an explanatory note, and gave the documents to a Deputy for official submission to the Verkhovna Rada. The agricultural committee had a lively discussion on the two alternative draft laws at which the ULTI lawyer answered many questions about our version of the draft. In the end, the committee decided that a working group should be formed to integrate the two drafts into one draft law that could be supported by all committee members. The working group includes the ULTI lawyer.

Draft Law on State Control Over the Use and Protection of Land. The draft law was passed in first reading in the Verkhovna Rada after the Prime Minister asked for the support of agricultural committee deputies. The draft is horrible and establishes the "land police" complete with uniforms, cars, and immunity from prosecution for officers of the agency. The team is trying to use the mass media and newspapers to bring attention to those clauses that establish bad policy or give excessive power to agencies that should not have it. The team has prepared detailed comments and suggested amendments

to the government draft accepted by the agricultural committee and will use these as a basis to promote changes to the existing draft law.

Draft Law on Lease of Land. The Rada adopted in first reading the version of this law prepared by Derzhkomzem, a draft with substantial problems. None of the ULTI comments previously submitted to the agricultural committee are included in the adopted draft.

The team's non-agricultural land titling lawyer gave opinions on several legal issues to regional coordinators in a number of oblasts.

Derzhkomzem cancelled Directive No. 23 in early June 2003. It appears that many oblast departments of land resources do not know about the cancellation yet. ULTI is distributing the order canceling the Directive to its survey firms and departments of land resources.

#### *Multi-Party Agreement on Land Titling Work*

The agreement is now begin implemented in Zhytomyr oblast as the team signs new contracts with the winners of the 11 tender packages there. Two days of oblast wide seminars are scheduled for July 15-16 at which the new agreement will be explained to heads of village radas and raion administrators, after which the agreements will be signed. The Agreement defines the obligations of each party in cooperating to prepare and issue land titles to agricultural land and sets deadlines for the completion of certain tasks by each party.

#### *Simplification of Land Titling Procedures*

As described above, the Verkhovna Rada passed the Law on Allocation of Land Shares in Kind on June 5, 2003. Despite several provisions in the law with which the Project legal team disagrees, the team hopes the new law will help simplify much of the work on preparation of State Acts to agricultural land. The team is now working on the annotations to the law, which it expects to publish and distribute widely to heads of village radas and raion administrators throughout Ukraine.

#### *USAID – GOU Working Group to Address Land Titling Issues*

There has been no working group meeting since its formation. At this point it appears that there is no political and administrative will to convene the working group. The future of this group seems bleak.

#### *Environmental Issues*

USAID approved five of the six tasks in the ULTI proposed IEE Implementation Plan submitted to USAID in April 2002. One task is still under debate by USAID. The Project has completed four of the five approved tasks. The last task is to organize a public hearing or a seminar in 2003 to get comments on the environmental information it distributes to the general public.

#### Program for Legal Aid to Landowners

The Program Manager conducted two days of meetings with oblast officials in Kherson on June 3-4, 2003. The meetings allowed the legal aid team to work out some problems with the operation of the center as perceived by the oblast authorities. At the meetings the Program Manager raised the issue of forming a coordination council, an idea that seemed to frighten the oblast administration. The Program Manager explained that in her opinion, oblast officials seemed reluctant to participate in such a council

because it might expose some of their internal decision making processes to public scrutiny. In the end, the effect of the ULTI proposal was to temper the officials' previously negative attitude toward the legal aid center. The Program Manager also reports that much of the negative attitude was due to the officials being misinformed about the activity of the center over the last few months. As a result of the meetings, the official opening ceremony for the Kherson center is scheduled for the week of July 22, 2003.

The Project hired two new lawyers for its legal aid center in during the visit on June 9-10, 2003. The Project determined that office space in Ternopil needs to be secured immediately, and that the previous alternative of locating the legal aid office in the same building as the ULTI regional office was no longer feasible. Finally, the legal aid lawyers from Vinnitsa and Chernigiv assisted the Program Manager establish better procedures for tracking cases, reporting progress, and organizing the work of the Ternopil center. Project management hopes that these efforts will help to strengthen the Ternopil legal aid center and allow it to realize its objectives to really help new landowners in the oblast.

The Project held its monthly meeting for legal aid center staff on June 12-13, 2003. During the two-day meeting the teams discussed and critiqued the five themed seminars on land issues, discussed general reporting of activities and successes in assisting landowners, and brainstormed on the use of the Peace Corps Volunteers (PCV's) in the centers. During the latter discussion, many ideas were raised. Currently one PCV is designing a pilot web site on for the centers to post information for the public and to exchange information between centers. Other long term projects that PCV's can engage in might include gathering and systematizing statistics on lease rates and prices for various crops that private farmers might grow in the markets around the oblast; helping to create public information and awareness campaigns for the legal aid centers to promote their services to the rural public; and helping to make operations of the centers more efficient and effective at serving the public who come for consultations.

**The cumulative results of activity of the legal aid program since January 2003 are shown in Table 2.**

Table 2: Legal Aid Center Complaints and Resolutions by oblast

Oblast	Number of complaints received	Number of people served by center as a result of complaints	Complaints in process of resolution	Complaints resolved positively		Complaints that center cannot resolve **
				in court	by negotiation	
Vinnitsa	65	5,635	14		51	
Chernigiv	66	126	2		62	2
Rivne	45	95	29		16	
Kherson	53	2,775	6		46	1
Ternopil	20	1,865	10		9	1
Total	249	10,496	61	0	184	4

\*\* These are cases in which the Legal Aid Center has reviewed all documents and has determined that the individual with the complaint does not have legal grounds to pursue a cause of action.



While the centers focus their activities and consultations on land related issues, the staff also track the non-land related issues regarding which citizens offer their complaints. The most prevalent non-land complaint deals with property shares and the failure of citizens to get proper allocation of those shares.

The centers have also experimented with offering consultations in raion centers (to make access to the services easier for landowners). The results of the test proved successful, and the teams intend to continue offer a day of consultations on all questions related to land ownership in at least 2-3 raion centers per month. The teams found it most successful to offer consultations on market days because many people travel to raions centers on those days.

### Public Education and Outreach

#### *Activities this Month*

In June, the Project completed its massive public information and education campaign in 14 oblasts. The campaign included site visits by information agents to each village rada included in the Project. Information agents distributed written materials and spoke to villagers and mayors in each of the radas. Throughout the month, the radio program Agronovini and the television program Silsky Chas, continued to air programs on the ULTI Project and its work throughout Ukraine. The team also held a press conference in Poltava to announce that the Project has stopped working there, explaining that private survey firms were trying to collect money both from land share holders and the Project.

Information agents implementing the public information campaign reported problems in several oblasts, alerting the Project to investigate issues of money collection from land share holders included in the Project. The most serious problem exists in Lugansk oblast, where the Project has been conducting negotiations with the private survey firm Lan for several months (see section on Significant Accomplishments, Problems and Other Issues).

This month the team continued its correspondence campaign with heads of village radas, raion officials, and oblast officials by sending 44 letters to officials in seven oblasts.

#### *Other Events this Month*

June 4-6, 2003 – The team conducted seminars for heads of village radas in Kherson oblast.

June 11, 2003 – The team conducted a seminar for heads of village radas in Volyn oblast.

June 13, 2003 – The team organized a titling ceremony in Nizin Raion, Chernigiv Oblast. Oblast officials and ULTI representatives attended the ceremony.

June 17, 2003 – The team participated in a press conference in Poltava oblast where the issue of double collection of money by land survey firms working with the Project was addressed.

June 24, 2003 – The team conducted a seminar for heads of village radas in Lviv oblast.

### Agricultural Land Titling

#### Preparation of State Acts

As of this month, ULTI has assisted with the issuance of 368,000 State Acts for agricultural land (approximately 29,000 in February). Since December 2002, the Project has assisted with the issuance of 115,000 State Acts for agricultural land, showing that contracts signed in early 2002 are finally coming to a conclusion and resulting in the issuance of State Acts. Of the total number, some 219,000 were issued

under ULTI contracts for pre-prepared State Acts and approximately 149,000 have been issued under ULTI contracts for new work. The team has verified that these State Acts are issued to land share holders. It is important to note that ULTI land survey firms could have issued many more State Acts over the past few months if not for the enforcement of the illegal Directive No. 23 issued by Derzhkomzem in September 2002. The Project team has verified that at least 234,000 State Acts have passed Stage 2 of our contracting phase, meaning that these State Acts are also very near to issuance to land share holders.

#### *Contracting for Land Titling Work*

Land surveys and preparation of State Acts continues under 85 contracts covering approximately 762,000 land shares (please see Table 1 for information on work under contract). The Project has additional resources to cover approximately 62,000 land shares (without any cancellations in existing contracts). The Project has preliminary commitments in several oblasts to complete preparation of State Acts for an additional 40,000 land shares, which leaves funds in the Project budget to complete State Acts for approximately 22,000 land shares. The Project expects to cancel some land titling work in several oblasts due to political problems and gross violations of the provisions of the contract by some survey firms, which means that extra funds will become available to cover preparation of State Acts for even more land shares. The team expects that cancellations will total near 120,000 land shares, leaving funds to prepare State Acts for up to 142,000 land shares.

The Project cancelled four contracts in Sumy oblast, two with firm Geo and two with firm Kadastré. Much of the work under these contracts was completed, but the remaining work was cancelled because the two firms insisted on collecting additional sums of money from citizens in violation of the terms of our contract.

The price of preparing State Acts per Land Share Certificate continues to drop. Over the last 10 contracts the price has dropped to \$5.85 per Land Share Certificate. The drop represents an 11 percent decrease from the original ceiling price of \$6.60 per Land Share Certificate. The team expects further price drops in the future as competition among survey firms increases in tenders for new work. The team is preparing a tender in Zhytomyr oblast in the very near future, and hopes to see multiple firms bidding on each tender package thereby driving down the price for preparation of State Acts even further.

#### *Collaboration with ULRMC on Purchase and Use of Satellite Imagery*

The ULTI team has determined that purchase of satellite imagery using the ULRMC funds is no longer the best use for these funds. At this time, ULTI is near completion on a substantial portion of its land titling work in many oblasts. This fact makes the purchase of satellite imagery not very useful for Project purposes. ULTI is working with the Zhytomyr oblast authorities to prepare a proposal to use ULRMC funds to purchase aerial photography as an alternative to the purchase of satellite imagery and intends to present its proposals to USAID in April 2003. Section III below on Significant Accomplishments, Problems, and Other Issues gives a description of this matter and ULTI's alternative proposal.

#### *Cooperation with World Bank on Agricultural Land Titling*

In March, the ULTI team prepared a detailed concept paper on proposals for cooperation with the World Bank on its proposed Rural Land Titling and Cadastre Development Project. The team drafted its concept based on several conversations with World Bank officials in which the Bank indicated that it

would consider accepting technical assistance for its project from USAID and ULTI in particular. The concept paper explained tasks that the ULTI project is best suited to undertake as part of technical assistance that USAID could offer to the World Bank. The paper was given to USAID on March 14.

#### Preparation of Land Titling Instructions

The Verkhovna Rada passed the legal team's draft Law on Allocation of Land Shares in Kind in first reading with 308 votes. No second reading has occurred yet. If passed in its current form, it will be a significant improvement and simplification to the process for preparation and issuance of State Acts to agricultural land.

Cooperation with Swedish NSDI Project to Develop New Parcel Identification Numbering Scheme  
Cooperation between ULTI and NSDI is proceeding well. ULTI signed a contract with a Ukrainian firm, GeoSystems, which is processing the cadastral index maps for Ukraine in accordance with the revised schedule in the ULTI/NSDI cooperation agreement. To date, the firm has delivered completed village rada boundary maps for eleven oblasts, and continues to work rada boundary maps for six more oblasts.

#### *Collection of Land Titling Data in Electronic Format*

The Project has signed a contract with ILS Ukraine to develop the software necessary for the testing and viewing of data for the Land Title Data Archive (Archive). Data received from survey firms and laid over free satellite imagery downloaded from the internet, at least in preliminary examinations, appears to be in relatively good order. Most of the parcels and fields seem to correspond with existing parcels and fields shown on the imagery. However, since there are cases where there appear to be errors in the data, it would be better if the verification occurred prior to the printing of the State Acts. As a result, the ULTI team is determining whether it can amend the contracting process to conduct the verification of data prior to the printing of the State Act. In this case it might be worthwhile to add certain capabilities to the processing and verification software, namely to edit data on the State Act and to print the State Acts themselves.

The software development work should be done by mid-April 2003, after which each of the land survey firms will receive a copy of the software to use in relation with the Project and its activities. The firms will conduct their own testing and verification of the data they submit to the Project for storage in the Archive before final payment. After this version of the software is completed, the team will assess determine whether it can amend the contacting process to strengthen the process and further minimize errors in the information being stored in the Archive.

#### *Trouble Shooting*

The team has spent much time over the last few months resolving political and procedural problems related to titling agricultural land. Problems that need resolution include getting completed State Acts, whose issuance has been delayed due to Directive No. 23 or some other reason issued; stopping collection of additional sums of money by land survey firms or raion officials from land share holders; resolving questions related to the distribution of environmentally sensitive lands in Lugansk oblast; and conducting public information campaigns to battle misinformation in several oblasts. More detail on some of these serious issues is described in Section III Significant Accomplishments, Problems and Other Issues.

## **2. Significant Accomplishments, Problems, and Other Issues**

### *Significant Accomplishments*

The Project assisted with preparation of 38,000 State Acts in June 2003.

The Project organized a land titling ceremony in Nizin Raion, Chernigiv oblast on June 13, 2003.

Representatives from the Project attended the ceremony along with oblast representatives.

The Project completed a two-month long promotional campaign for its land titling activities. Information agents delivered information to every village rada included in the Project and a mass radio, television and newspaper campaign promoted the Project's activities to the general public.

### *Problems*

#### Derzhkomzem Directive No. 23

The Directive was cancelled by Derzhkomzem order obtained by the Project on June 2, 2003. The full impact of the cancellation is not yet known, as many oblasts have not received information from Derzhkomzem of the cancellation possibly in a deliberate attempt to collect further money under the Directive before its cancellation becomes widely known.

#### Trouble Shooting for the Agricultural Land Titling Component

The team worked to resolve the following problems in March 2003:

Lugansk – The Project has agreed with the private survey firm Lan to pay for State Acts to arable land that have been prepared, but not issued because of the related titling of pasture land that is subject to erosion (about 5-10 percent of the land eligible for distribution). The Project has conceded that State Acts to pasture land will have to be issued at a later time when procedures for titling joint-divided ownership of such land are established. However, Lan has a substantial volume of land titling work that remains unfinished. Negotiations between the Project and Lan continue to determine whether the Project will fund this work, and hinge on Lan's agreement to stop attempting to collect money from the Project and land share holders. At this time, it appears that Lan is unwilling to agree to such conditions, which will force the Project to terminate its existing contracts with Lan. The Issues Resolution Manager will make one final attempt to resolve the issue during a visit to Lugansk in July.

Chernigiv – The team conducted a meeting with contractor "Zemlyvlasnik" regarding the collection of additional sums of money from land share holders in several raions of Chernigiv oblast. At the meeting the Project laid out clear terms under which it would be able to continue its contract with Zemlyvlasnik. The main condition is that the firm must return money collected improperly after it signed a contract with the Project to those citizens who paid for preparation of State Acts. Failure to pay back the money means the Project would have to terminate its contact with the firm (potentially exposing it to investigation by the SBU in accordance with the terms of a pending agreement on cooperation between the SBU and USAID). Initially, the firm has agreed to the Project's terms, and is now preparing a list of village radas in which it "double collected" and the amount it collected in each of those radas. Based on this list, the Project and the firm will work out a mechanism for return of the money and resolution of the matter.

Zaporizhia – Subcontractor “Elita” appears unable to complete work on land titling in numerous work areas included in its contracts with the Project. The Project is recouping its funding advances to Elita by offsetting payments owed to the firm for its work on non-agricultural land titling. The firm’s owner is a big producer in non-agricultural land titling, and fortunately for the Project seems willing to continue working in that sphere despite its inability to move forward with agricultural land titling. To date, the Project has been able to offset over 50 percent of the initial advance on agricultural land titling work from the money owed on non-agricultural land titling work. Once Elita’s debt to the Project is repaid, the Project will cancel the contracts for agricultural land titling and proceed to work with the firm’s owner on non-agricultural land titling only.

#### Collection of VAT Payments on Non-Agricultural Land Sales

Recently local tax authorities have insisted on collecting VAT payment on non-agricultural land sales, causing problems for the regional coordinators who are trying to increase demand for land parcels among business owners. In many cases, the added costs dampen interest of would-be land buyers to conclude such transactions. The draft law on Amendments to the Law on Value Added Tax contains a provision that clearly exempts such transactions from VAT payments, but the draft is pending approval by the Verkhovna Rada. The Project is advocating adoption of the draft law by mobilizing representatives of local radas and deputies in the Verkhovna Rada, but this effort takes time. The Constitutional Court is also considering the matter at the request of a local rada in Volyn oblast, but has delayed ruling on the matter three times already.

The number of areas in which the problem exists is growing each week creating a serious problem for the land sales process. The areas experiencing the problem are all very active in completing land sales (making the position of tax administration clear: more land sales equals more budget income and accordingly more VAT payments). As a result of the position of the local tax administrations, many radas prefer to suspend land sales until the problem is resolved.

#### *Other Issues*

##### Cooperation with the Ukrainian State Security Service (SBU)

Discussion between USAID, the Project, and the SBU continued on potential cooperation in battling corruption and unethical behavior by land survey firms and local officials in land titling. A meeting was held on June 18, 2003 at the USAID offices. The Regional USAID Inspector General (from Budapest), the Assistant Regional Security Officer for Ukraine, the ULTI Project CTO, the ULTI Chief of Party, and two representatives from the SBU attended the meeting. It is clear that both the US Embassy and USAID have taken the matter very seriously, and are trying to proceed with caution in working out some form of cooperation with the SBU.

At the meeting, the SBU representatives requested the following from USAID/Chemonics:

First, they asked for a letter authorizing a pretrial investigation into the survey firm "Limb" (the firm on which the SBU already received documents from Chemonics upon the direction of the USAID Legal Counsel in Kiev). The SBU stated that such a letter could come from either USAID or Chemonics. Second, the SBU requested a complete list of the survey firms working with the ULTI Project on land titling. The SBU representatives also described the law that authorizes their agency to conduct

investigations. They claimed that Ukrainian law charges the SBU with investigating crimes and giving the evidence to the Prosecutor General. The Prosecutor determines whether to charge someone in a criminal case, and the court ultimately determines guilt or innocence.

In response the Inspector General responded by establishing a number prerequisites before any extensive cooperation could be considered. The conditions are: (1) that the Prosecutor issues a letter giving Chemonics immunity in any prosecutions of survey firms; (2) that a representative from the Inspector General's office in Budapest be allowed to accompany SBU agents on any investigations of survey firms; and (3) that the Inspector General will not give a list of all firms working with Chemonics to the SBU, but that the Inspector General would consider giving the SBU a list of firms that USAID and Chemonics believe have grossly violated the terms of its land tilting contracts. The Inspector General also voiced USAID's preference that the SBU prosecute one firm to the fullest extent, thereby making an example of the firm and setting a precedent to deter unethical behavior by other survey firms.

At the meeting's end there was no clear agreement on the issues. The Inspector General stated that he will discuss the Limb case with the Project and determine whether a letter authorizing the SBU to proceed with their formal investigation of Limb is appropriate. The Inspector General assured the Project that any such letter would come directly from the Inspector General's office and not from Chemonics. He clearly understood the need to shield Chemonics and the ULTI staff from direct contact with the SBU representatives.

After the meeting ended, the Assistant Regional Security Officer made his opinion on the matter very clear: he stated that the SBU is not an investigative agency, but an intelligence agency. Its agents employ tactics of harassment and intimidation to obtain information and other material benefits from individuals and companies. He explained that the SBU has shown no interest in assisting the US Government in the past. When the Embassy has asked for SBU assistance in other matters affecting US interests or parties, the SBU has typically refused to get involved unless some Ukrainian citizens or interests were harmed. Finally, he stated that the SBU would likely use a list of ULTI survey firms to extort money from firms that have been paid by the Project, and that it is very unlikely that any firm would ever be prosecuted.

The final agreement between the Inspector General and Chemonics on this matter appears to be:

1. The Inspector General would send a letter to SBU authorizing further action against the firm Limb. The letter would request that Limb be prosecuted to the fullest extent of the law and that the Inspector General would consider this matter a test case for the SBU. If prosecution proceeds properly and results are achieved, the Inspector General would discuss further cooperation with the SBU.
2. That further cooperation would be conditioned upon the Inspector General's representative being able to accompany SBU officials on investigations and Chemonics receiving immunity in any prosecutions of Ukrainian firms. Whether there is ultimately any progress on this matter remains to be seen.

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**D. Tanzania Tax and Mining Policy, TO #813**

*Start Date: July 9, 2001*

*Completion Date: July 8, 2003*

*Amount: \$1,629,987.00*

**1. Project Update**

**Introduction**

This report covers the progress of implementation of project activities for the period ending June 2003. There were minor developments in some activities, while in other activities there were encouraging results as outlined below.

**Major Policy Issues**

There were new developments in the tanzanite business. During his budget speech, the Minister for Finance had proposed to institute measures to prevent exportation of rough tanzanites. He said the government intended to encourage value-added activities and ban the export of rough gems. The TRA interpretation is that the government had stopped from July 1 the export of rough tanzanite. TRA therefore refused access to tanzanite exporters, a move which threatens not only tanzanite, but also other gemstones.

Tan Discovery was requested to conduct a short survey of the reaction by dealers and solicit their views on the matter. A proposal is been forwarded to the government, with main recommendation of a gradual transition in implementation of the directive.

PMU will maybe, request for the availability of a master cutter to polish the skills of local gem cutters to produce material suitable for the US market. Preliminary discussions with Mr. Roberts indicate that a few hours brushing of gem cutters could bear the expected results.

Another policy implication is the extension of tax relief to gem cutting equipment and supplies.

<b>Activity 1: Reviewing the tax policies</b>
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This activity focuses on building tax policy analytical capacity through structured policy dialogue and training. TRA had requested that the project provide resource persons to provide training in revenue projection and auditing of mining activities. Due to shortness of funds, we are unable to offer both courses. It was determined that TRA should send candidates for revenue forecasting training to the course offered at Duke University by

the same trainers as have worked with them in Tanzania. The project has identified experts from South Africa with hands-on experience of mine auditing to provide the course in auditing. An outline of the proposed course was provided and TRA is yet to come up with a response.

### **Activity 2: Reviewing government policy and plans for utilizing income from mining**

Finally, ESRF produced a draft strategy document. Preliminary discussions with the Commissioner revealed a need to make some additions particularly on the proposed policy options. ESRF will forward the draft document separately. There was discussion of trying to have this study be the focus of a workshop of parliamentarians in July, but as the study has yet to be read and commented on by the Ministry of Energy and Minerals, the Permanent Secretary recommended that the parliamentary workshop be postponed.

### **Activity 3: Diversification of economic activities**

During this period several of the themes advocated by the project to create jobs and build sustainable development through mining finally came to fruition. The policy changes needed to reserve appropriate areas for small claims after they have been explored and relinquished by large mining companies has been introduced into amendments to the Mining Law now before Parliament. Large companies, recognizing that artisanal mining generates many more jobs than large mining, have begun providing training directly to small-scale and artisanal miners in their areas. And environmental extension work has been introduced in a much larger area of the country, including regions where USAID activities are focused so that there are synergies with other USAID business-development projects.

The project continues to provide training in value-added skills needed to process gems and make jewelry in Tanzania with gem material mined there. During the period, a course in gem tumbling and beadmaking was conducted in Morogoro. A total of 22 participants took part in the training by Mr William Roberts. A USAID official visited the training and had discussions with participants and the trainer. The trainer demonstrated how to cut a piece of low-grade gem material, and the official had a hands-on experience on the trim saw.

Participants were able to produce finished cabochons within a few hours of practical training. Some participants had attended the wire-wrapping training, and as soon as they had a finished product, they utilised their skills to make jewellery. A clip of the products is shown below. A list of the participants is attached with this report. It was not possible to issue certificates because we could not arrange for them on time.





#### **Activity 4: Addressing environmental concerns**

As can be seen in the attached detailed report, the environmental and safety extension work of the project is expanding its geographic scope—with particular attention to regions where USAID concentrates its assistance. This permits synergies with other business development, health and education projects funded by USAID. The extension work has also managed to mobilize the interest of large mining companies in providing assistance to artisanal miners. In Geita and Kahama, they are now doing so. This should contribute substantially to improve relations between artisanal mining and large international companies. The extension component has also introduced new technologies that help artisanal miners localize deposits, so that they dig only where there is gold, not randomly throughout a potential area.

During the month, Tan Discovery conducted training for artisanal miners in the new gold rush areas of Morogoro and Tanga regions. One of the areas was closed because it was within a water reservoir area, and close to a petroleum pipeline.

More field visits are planned for the coming period. A planned visit by USAID officials to the field training sessions was postponed to a later date at USAID request. Tan Discovery's detailed update on training and extension work is appended to this report.

## **2. Project Administration**

During the period under review, Project Coordinator participated and chaired one meeting to develop SO9 Team Charter. The Team Charter is meant as a tool for collaborative management, and will be operational in September.

The Project Coordinator traveled to Morogoro from June 10-15, to participate in review of the mining act.

Recommendations from the project on the issue of relinquishment of mining land by large-scale operators for small scale miners was incorporated.

A visit to Dodoma from June 25-28 was successful in that the PMU presented a paper in at the annual meeting of the Tanzania geological Society on impact of tax incentives given to mining companies. This year's theme was on mining with sustainable development. It was during the period that consultations with officials of Parliament were held to set a date for workshop on utilisation of revenues from mining. The workshop has been postponed.

### **3. Planned Activities**

Under Activity 1, we expect to hold the training of TRA officials on mining auditing in September.

On activity 2, PMU will travel to Dodoma to attend the current session of the Parliament during the month of July. Although the planned Parliamentary workshop has been postponed, our presence is necessary to get some views from Members. We anticipate that the ESRF study will be the subject of at least one workshop and of parliamentary consultations in September.

On Activity 4, PMU will accompany officials from USAID to a field visit to evaluate extension services programme. The dates of the visit will be agreed upon after consultation with Tan Discovery and USAID.

**List of Participants to Cabochon and beads making training**

S/NO.	NAME	ADDRESS	TOWN	MOBILE	TEL:	EMAIL
1	Christine E. Jengo (Wire wrapper)	3033	Arusha	0744 449729	022 2461771	<a href="mailto:tina_jengo@hotmail.com">tina_jengo@hotmail.com</a>
2	Amiri Abdallah (Gem Cutter)	2701	Arusha	0744 380231		<a href="mailto:auringo@yahoo.com">auringo@yahoo.com</a>
3	Rajabu Mohamed	13418	D'Salaam		022 2443437	
4	Fatma A Zulu (Wire wrapper)	2362	Arusha	0744 566130	027 2507154	
5	Antonio Ruban Shayo	1139	Moshi	0744 681485		<a href="mailto:dr_anito@doctor.com">dr_anito@doctor.com</a>
6	Mrs. Katarina Freeman Kitange	663	Moshi	0744 814668		<a href="mailto:kkitange@yahoo.com">kkitange@yahoo.com</a>
7	Jackson Dimoso (Motor Driver)	520	Morogoro			
8	Antonia Philipo (Mama Lishe)	5066	Morogoro			
9	Ramadhani Mbwando (Miner)	1587	Tanga			
10	Khalid Mohamed Yusufu (Goldsmith)	275	D'salaam	0744 281986		<a href="mailto:khalidMohamed2001@hotmail.com">khalidMohamed2001@hotmail.com</a>
11	Stephen Rogers	13519	D'Salaam	0748 280478		
12	Visetas Kiding'a	601	Morogoro			
13	Christopher Lawrence Nakua (PO)	4865	D'Salaam	0741 254694	022 2150043-5	<a href="mailto:nakuas@yahoo.com">nakuas@yahoo.com</a>
14	Joyce Christopher Kankoa	419	Morogoro		023 2603070	
15	Karosi Isaya. (J.N. Mining Co)	14952	Arusha	0744 566156		<a href="mailto:karosi2003@yahoo.com">karosi2003@yahoo.com</a>
16	Mwanaharusi Mzuzuri . (Tawoma)	88	Songea-Ruvuma	0744 512433	023 2600277	
17	Bankunda Jayne Bitwale	78464	D'Salaam	0744 897195		<a href="mailto:bankunda@wongfaye.com">bankunda@wongfaye.com</a>
18	Piucy A. Kimaryo	1802	Arusha	0744 366292/0748 326559		<a href="mailto:piucykimaryo@yahoo.com">piucykimaryo@yahoo.com</a>
19	Nurdin Shaaban Mloo	3637	Zanzibar	0744 311845		
20	Catherine John	601	Morogoro		023 2602336	
21	Salum A. Kungulilo	641	Arusha	0744 512672		
22	Mwanaidi Ebrahim Idd (Mrs Ngulungu)	640	Morogoro	0744 686708		

NB. Brackets after names refers to occupations or sponsoring company.

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**E. Technical Support for Procurement and Project Management and Private Sector Participation (PSP) to the Ministry of Water and Irrigation, Water Authority of Jordan and the Jordan Valley Authority, TO #814**

***Start Date: August 6, 2001***

***Completion Date: January 31, 2004***

***Amount of Delivery Order: \$3,026,845.50***

**1. Introduction**

This Quarterly Report presents the activities of the Jordan *TECHNICAL ASSISTANCE FOR PROCUREMENT, PROJECT MANAGEMENT AND PRIVATE SECTOR PARTICIPATION PROJECT* during the period of April 1 through June 30, 2003. The report highlights significant work undertaken and accomplishments realized; outlines major problems encountered, and offers proposed responses to those challenges; and summarizes planned activities for the second quarter of 2003.

**2. Project Activities**

**Deliverables**

Work continued to refine the MOU as well as to prepare other legal documents pertinent to the establishment of the AWC.

**Memorandum of Understanding**

- A draft of the MOU was prepared by TAPS legal consultant, Jeffery Meller, and was submitted to USAID on April 7 for approval. In this version, pending issues were incorporated in a way that would recognize the rights of both MWI/WAJ and ASEZA. This version was circulated to the CC members by the TAPS Technical Advisor on April 9.
- On April 22 a meeting between the Chief Commissioner of ASEZA and the Minister of Water and Irrigation was held in order to reach an agreement on the pending issues of equity shares of both parties in the AWC, and the development rights in ASEZ. The meeting did not resolve the pending issues but served as a forum in which both officials were able to share their views.
- On May 18 the Chief Commissioner of ASEZA and the Minister of Water and Irrigation met at the Dead Sea Spa, in the presence of the Minister of Planning where an agreement was reached and signed concerning six main issues including: the Board of Directors, WAJ and ASEZA ownership percentage of AWC, bulk water tariff rate, easement rights, and income tax exemption, and writing the MOU in a simple and concise manner. It was then decided that the MOU be signed by the end of May.
- On May 21, the TAPS team met with Bechtel representatives to make adjustments to the MOU. Extensive revisions by ASEZA and Bechtel led to continued deliberations among the concerned parties, particularly regarding ASEZA and Bechtel's assertion that *"It is not contemplated that AWC will be granted the rights to develop and operate seawater desalination facilities"* (art.10a3). This point was eventually settled by the agreement that AWC would be granted the rights of first refusal of desalination projects. By this final adjustment the MOU was ready for signature. However, such granted rights remained

subject to terms and conditions to be tackled in the Development Rights Agreement.

- On May 27 a working session was held to allow the MWI, the PMU and USAID to work through the MOU text and to develop a version to be altered only by the heads of MWI and ASEZA. This version was distributed to the CC members on May 28.
- On Thursday, June 12 the signing session of the MOU took place at ASEZA where the Minister of Water and Irrigation and the Chief Commissioner of ASEZA co-signed the document marking a milestone in the AWC transaction.
- TAPS drafted a letter to the Cabinet of Council of Ministers as per Article 1 of the MOU, reporting on the agreement reached and the intention of both parties to wrap up all the agreements necessary to establish the AWC. This letter was signed by the Minister and sent to the Cabinet.

### **Assignment Agreement**

- A four hour work session was held on Tuesday, May 20, and included a TAPS presentation for MWI/WAJ, PMU, and USAID that provided an overview of the AA. A two week period was given for the participants to review the document and to incorporate their views into the document.
- On May 21 the Minister of Water and Irrigation was briefed on the progress of the AA development as well as other activities with which TAPS had been involved. The Minister asked that certain issues concerning the AA be clarified.
- The AA submission was deferred due to the processing of the MOU; the AA is an incorporation and expansion of issues raised in the MOU and thus contingent upon the completion of the MOU.
- Upon USAID approval, the revised AA was set to be distributed to MWI /WAJ in mid-May, proceeded by a follow-up workshop at the end of the month.
- Three work sessions were held to discuss in detail the main body of the AA, and all comments and inputs from all concerned parties were incorporated. The main body was then sent on June 25 to the TAPS expatriate legal advisor for his revision of the updated version.
- A response is due by the legal advisor in early July so that a working copy of the AA may be given to ASEZA to facilitate the creation of a Development Rights Agreement. It was planned that ASEZA would be given the AA draft before the tentatively scheduled July 17 ACC meeting.
- Similar work sessions have been scheduled for the upcoming month in order to refine the AA appendices through discussion and incorporation of USAID and MWI/WAJ comments.

### **Article of Incorporation (AI) and Memorandum of Association (MA)**

TAPS local legal consultant, Mr. Ala' Khalifeh developed drafts for the AI and MA which he submitted to TAPS TA on April 30 for review.

### **AWC Implementation Reports**

- TAPS short-term expatriate and local consultants continued working on the refinement of the *Proposed Organization and Staffing of the Aqaba Water Company: Strategies and Plans* and the *Proposed Financial Management and Accounting System for the Aqaba Water Company Initial Design and Training Recommendations* Reports. After submission and approval from USAID, copies were distributed to the CC members on April 4 (in electronic format), and hard copies were submitted to MWI/WAJ on April 21.

- With travel restrictions lifted, consultants resumed their trip to the field as well as their involvement in preparing training need assessments and designing training courses in the technical, institutional and financial sectors of the AWC.
- Mike McLindon and Anthony Stellato, TAPS short term expatriate consultants, have continued to develop the financial and institutional reports as parts of the implementation program for the AWC transaction.

### **AWC Coordinating Committee Meeting**

- The sixth AWC CC was held May 15 at the MWI. The intended purpose of the meeting was to discuss the status of the MOU, the Memorandum of Association and Articles of Incorporation, the status of the ASEZA Development Agreement, the progress of Technical and Financial Components of AWC, and the AWC Legal Schedule for establishing a Staffing Committee.
- The meeting ended over the contentious issue between both parties of whether or not the completion of the AA and DA should come prior to or after the registration of the AWC. ASEZA favored registering the company after the two agreements were signed. MWI/WAJ and USAID supported registering the company in advance.
- It was agreed that the pending issues would be discussed and settled by the heads of MWI and ASEZA at a scheduled May 18 meeting.
- ASEZA and Bechtel reiterated their position regarding the need to protect AWC's commercial entity by properly handling issues such as the tariff and cross subsidy. MWI emphasized that this was also their intention.
- USAID advised TAPS to provide ASEZA with a DA framework in order to facilitate the processing of the DA.

### **TAPS TA Return**

Following the removal of travel restrictions and the termination of authorized departure, TAPS Technical Advisor Jose Valdez returned to Jordan on May 10 and resumed his responsibilities at the TAPS office May 11.

### **Amman Water Company Activities**

- On April 9 and at the request of the PMU Director, TAPS team engineers participated in a meeting with the Greater Amman Public Company Committee to discuss the MS Project planning sheet regarding the establishment of the Company.
- Participants agreed that TAPS official involvement in this transaction was a necessity and that an official request letter be drafted and submitted by the Minister to USAID regarding this matter. Advancement in this direction was put on hold by the minister pending the progress of the AWC transaction, although it was made clear to the PMU director that working on both transactions simultaneously was within TAPS' capability.

### **Short Term Consultant Assignments**

In further developing AWC technical and financial components, two new short-term local consultants were brought on board: Ecoconsult (contracted for the financial component), and Mr. Ghassan Ayyubi (contracted for the technical component). Both will be working under the supervision of the TAPS Technical Advisor and in coordination with TAPS expatriate consultants.

## **Briefing for the Minister**

On June 9, the TAPS team met briefly with Minister HE of MWI in the presence of the PMU Director. HE was briefed on the progress of the MOU and the AA. HE expressed his concern regarding the issue of desalination especially since ASEZA had stipulated that granting the rights of first refusal to AWC would be subject to terms and conditions that the former would include in the DA. He emphasized the need for TAPS to exercise their utmost capability in order to protect MWI/WAJ's rights as well as the rights of AWC and the rest of the stakeholders.

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### **F. USAID/Moldova Financial Management Training and Advisory Activity (FMTAA), TO #815**

*Start Date: September 1, 2001*

*Completion Date: August 12, 2003*

*Amount of Delivery Order: \$2,212,570.00*

#### **1. Highlights of Achievements to Date**

Since startup in September 2001, the Financial Management Training & Advisory Activity has provided training to over 7,116 accountants, auditors, and university faculty members in 417 seminars. To date, the Financial Management Training and Advisory Facility has generated gross revenue of over 415,658 Moldovan Lei (\$29,395), deposited to the ACAP Development Fund bank account. The project has assisted in the development and publication of 6 guides: "Practical Guidance to Accounting Principles and Financial Accounting," "Cost Accounting Guide," "Guide for the Accountant of an Entrepreneurial Agricultural Cooperative," "Theoretical Guidelines and Practical Materials on Accounting," "Basics of Accounting," and "Financial Accounting" (2<sup>nd</sup> revised edition). The project has also provided advisory services on various issues related to accounting and taxation to 225 practicing accountants. Eight CPCs (Certified Professional Accountants) qualified during ACAP's December 2001 examinations. The Association of Professional Accountants and Auditors of Moldova achieved a total number of 343 members as of June 30, 2003. Additional details on these and other project achievements are discussed below.

#### **2. Specific Activities**

This section covers progress against six deliverables as stated in the project scope of work.

##### **1. Establish Financial Management Training and Advisory Facility (Task 1).**

The Financial Management Training and Advisory Facility (FMTAF) was established in November 2001.

##### **2. Provide training in financial and managerial accounting, audit engagement procedures, internal audit, non-profit accounting, and accounting information system (Task 2).**

- FMTAF continued the marketing campaign in the mass media promoting its seminars/training courses and advisory services during January - March 2003.
- During April - June 2003, 27 seminars were conducted in Chisinau, Ungheni, Balti, Drochia and Cricova. 816 participants, including faculty members of higher educational institutions, accountants, and auditors, were trained in financial, managerial, tax accounting, audit, and financial management.
- During the period of April - June 2003, FMTAF generated gross revenue of 45,658 Moldovan Lei (\$3,228): 22,200 MDL – from ACCA examinations, 5,700 MDL – from selling 60 copies of the 2<sup>nd</sup> revised edition of the “Financial Accounting” manual, and 17,758 MDL – from training. 249 copies of the 2<sup>nd</sup> revised edition of the “Financial Accounting” manual have been donated to the Ministry of Finance, Main State Tax Inspectorate, AESM library, and ACAP members who were present at the General membership meeting on June 7, 2003. 29,000 MDL (\$1,050) were generated by the selling of the 2<sup>nd</sup> revised edition of the “Financial Accounting” manual by ACAP and were deposited in ACAP Development Fund bank account. The ACAP Development Fund bank account, to which all fees paid to FMTAF are deposited, is reconciled monthly, with all disbursements approved by and coordinated with the Chief of the Party and the Board of Directors of the ACAP.

**3. Assist the Academy of Economic Studies of Moldova (ASEM) in its accounting and audit curriculum reform effort and strengthen its partnership with the University of Nebraska at Omaha (UNO) (Task 3).**

- *Under the Summer 2003 Exchange program between University of Nebraska (UNO) and AESM, three UNO faculty members, Accounting Department Chair Dr. Jack L. Armitage and Professors of Accounting John Windler and Ron Bauers visited AESM Accounting Department and taught courses in English during May 13 - 30, 2003 for undergraduates, MBA and PhD students, professors, and other interested persons. 50 people registered for the 20 hour course on Internal Audit, 110 people for the 18 hour course on Fundamental Principles of Managerial Accounting, 30 people for the 20 hour course on Accounting Information Systems, and 50 people for the 6 hour course on General Accounting Principles for Non-for-profit Organizations.*

*At the end of each course students were given the option of taking a final test, from which passing grades were awarded certificates of completion. Those not taking the exams, but who attended class were given certificates of participation. The average grade for all tests was 77%. Each professor developed a course critique and all participants completed the questionnaire. Based on the survey, all participants found the courses very useful. Students greatly appreciated the fact they were able to access professors' notes, which were posted on AESM website. All students mentioned that the most effective teaching methods used by UNOmaha professors were: projected lecture notes, diagrams, charts, and practical problems worked on in class.*



- Four round tables were conducted during the visit of the UNOmaha professors during which accountants, auditors, IT specialists, professors, and students had an opportunity to discuss various professional issues with them.
  - On May 20, 2003 the “Methodology of Teaching Accounting and Auditing Disciplines at AESM and UNO” roundtable took place with 81 members of the Accounting Faculty of AESM and other institutions participating. In addition, the second revised edition of the “Financial Accounting” manual was presented during the roundtable discussion.
  - On May 23, 2003 the “Internal Audit: An overview of Standards and Procedures” roundtable took place with 51 practicing auditors and accountants participating.
  - On May 27, 2003 the “Accounting Information Technologies in the USA” roundtable took place with 36 practicing auditors, accountants, and IT specialists participating.
  - On May 29, 2003 the “Accounting for Nonprofit Organizations in the USA” roundtable took place with 42 practicing auditors and accountants participating.
- In May 2003, professors Jack Armitage, John Windler, and Ron Bauers had a meeting with representatives of the Internal Audit Departments of CNAS (National Social Insurance House), during which the professors answered various questions related to Internal Audit, its functions within a company, and the role of internal controls in the overall performance of an enterprise. Participants also exchanged information concerning social insurance practices in Moldova and USA.
- Four ASEM faculty members traveled to UNOmaha for the period of June 9 - July 12, 2002 to attend the Summer Semester classes in a variety of accounting disciplines.
- 10 AESM professors are going to visit UNOmaha during July 4-12, 2003 to learn more about the methodology of teaching accounting disciplines at UNOmaha, to attend lectures and seminars on Financial Management, Analysis of Economic Activity, and Managerial Accounting taught by UNOmaha professors, to visit various local commercial enterprises, and learn more about the history and culture of Omaha.
- The second revised edition of the “Financial Accounting” manual was published and distributed for sale to Universities and bookstores.
- The new manual “Basics of Accounting” elaborated by AESM accounting faculty professors V. Turcanu and E. Bajorean was translated from Russian to Romanian and will be submitted to the Publisher in August.
- AESM Accounting Department began the development of a new manual on “Comparative Accounting” by the Head of the Accounting department Grigori Lilia. The manual is scheduled for publishing in October 2003.
- During April - June 2003, accounting faculty professors continued working on the new “Tax manual”. The final draft of the textbook will be ready for publishing in October 2003.

#### **4. Provide financial management advisory services to enterprises to improve financial management capacity (Task 4).**

During April – June 2003, 12 *pro bono* consultations on financial and tax issues were provided to 12 accountants of private sector enterprises.

## **5. Promote Use of Accounting Information Technology (Task 5).**

During April – June 2003, the Task 5 Team:

- Provided training in Accounting Software, resulting in:
  - 34 professionals trained (40 hour course) in the use of Accounting Software 1C both through lectures and hands-on training;
  - 24 professionals trained in Basic Computer Skills;
  - 26 professionals trained in Software Engineering;
  - 63 professionals trained in Accounting Information Systems and Computer-Based Accounting in the USA;
  - 36 professionals trained in Advanced Excel; and
  - 17 persons trained in Basic Principles of “DELPHI.”
- In April 2003, participated in COMINFO exhibition and promoted FMTAA’s training center and accounting and information system courses. Also conducted a survey and collected more than 500 questionnaires.
- Performed general maintenance of FMTAA and ACAP information system:
  - Performed physical inventory FMTAA hardware on site and off site;
  - Tested beta version of inventory tracking database;
  - Updated anti-virus definitions;
  - Updated equipment at ACAP to accommodate new requirements; and
  - Advised ACAP on accounting systems data transfer.
- In May 2003, the ASEM / UNOmaha Cooperation Center hosted three UNO faculty members, Accounting Department Chair Dr. Jack L. Armitage and Professors of Accounting John Windler and Ron Bauers, who traveled to AESM in the period of May 12-31, 2003 to give open lectures to students, professors, and other interested persons. Their lectures were posted on the AESM website in order for students to freely access them. FMTAA provided support in updating AESM website to accommodate hosting of UNOmaha materials.
- During May 2003, developed ACAP Seal of Approval process and requested the Board to convene a working group to further refine the Seal of Approval Process. In June 2003 the ACAP Board of Directors approved the establishment of the working group and set the date for its initial meeting for July 1, 2003. Materials were distributed to the members of the working group for their review.

## **6. Financially support ACAP in staff salaries, office rent, and updating the certification program; and develop a partnership between ACAP and a US, Canadian, or Western European accounting and audit SRO (Task 6).**

- Staff salaries and rent of ACAP were paid for the period of April - June 2003.
- ACAP achieved a total number of 343 members as of March 31, 2003.
- On June 7, 2003 ACAP held its ordinary ACAP membership meeting. 159 out of 304 members were present at the meeting where 3 new Board of Directors members were elected, the Regulation on Audit Committee was approved, the CIPA program was presented with a positive

response from the membership, and 11 persons were signed up on the waiting list for CIPA certification.

- On June 25, 2003 ACAP Board of Directors approved the candidates nominated for the working group on accounting software evaluation.
- ACAP Board of Directors approved the idea of creating a Foundation for the Development of the Accounting Profession in the Republic of Moldova.
- A working group for the development of the Accounting Law was approved. The first draft of the law shall be submitted to ACAP Board of Directors during its meeting in September 2003.

## **7. Other.**

During June 2 – 11, 2003, CIPC administered examinations for ACCA students. During this period 36 students were given 75 examination papers, from which 22,000. MDL was collected and deposited in the ACAP Development Fund bank account.

### **3. Quarterly Financial Update**

Authorized Expenditures:	\$2,212,579
Actual Expenditures:	\$1,472,583
Balance:	\$ 739,996
Balance in Days:	224
Estimated Completion Date:	8/12/03

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## **G. Romania Environmental Management Services, TO#816**

*Start Date: September 30, 2001*

*End Date: July 31, 2002*

*Amount of Delivery Order: \$1,030,522.00*

### **1. General Accomplishments**

The major event during this period was the wrap-up seminar that was held in Oradea on May 28, 2003. The partner organizations presented their achievements and shared experiences. A particular focus was on preparation for the Public (former Dissemination) Seminars. Participants included representatives of the partner organizations and of the Environmental Guard. The USAID CTO also participated and handed certificates to the participants at the end of the workshop. The General Managers of Sinteza and Apaterm attended most of the workshop. The conclusions of the workshops are that the partner institutions took ownership of the project and are committed to continue EMS/P2 implementation, to seize the subsequent benefits.

The first cycle was completed and the final internal audits were conducted in all the partner organizations. The audits were conducted by the partner organizations, under the supervision of Auditeco. The conclusions of the audits have shown that the EMS documents are more than 90% complete and adequate.

Objectives and targets were defined for the second cycle and the Environmental Management Plans were developed to achieve these objectives and targets.

Management reviews followed the final internal audits. During the management reviews, all the top management representatives appreciated the outcomes of the project and expressed their commitment to continue EMS implementation.

Articles were published in the local press regarding the EMS & P2 Project. Translations of the articles are attached, as Appendix 1.

## **2. Specific Activities**

Phase II - EMS/P2 Implementation and Demonstration

Task II. 2 : Pilot implementation

The EMS documents were completed. Final internal audits were conducted, followed by management review. In the second cycle, the new environmental aspects were selected, objectives and targets were defined and Environmental Management Programs were developed to achieve objectives and targets. In preparation for the Public Seminars, the case studies to be presented by the partner organizations were selected and will be refined in the next period.

## **3. Quarterly Financial Update**

<i>Authorized Expenditures:</i>	<i>\$1,030,522.00</i>
<i>Actual Expenditures:</i>	<i>\$904,785.89</i>
<i>Balance:</i>	<i>\$125,736.11</i>
<i>Balance in Days:</i>	<i>1,135</i>
Estimated Completion Date:	9/30/03

## **4. Translation of the article printed in the local newspaper “Buna Ziua Ardeal” (“Good Day Transylvania”), on May 17, 2003**

RAJAC Cluj finalizes the Environmental Management Program financed by USAID

The technical implementation phase of the Environmental Management Systems (EMS) and Pollution Prevention (P2) Project, developed in Romania by Chemonics International, under a program financed by USAID, will be finalized this week. One of the beneficiaries of this project is the Autonomous Regia for Water and Sewerage Cluj.

The project began in October 2001 and targeted improvement of environmental management and of pollution prevention activities, by significantly reducing current pollution, accidental pollution risks and improving financial and general management performance, according to the requirements of ISO 14001.

The program finalized at RAJAC resulted in a series of practical benefits, exceeding the main objective: training and familiarizing the staff with environmental management techniques and procedures at international standards.

The regia received environmental equipment, on a non-reimbursable financing basis. RAJAC's relationship with social and commercial partners – authorities and public institutions, community, companies etc.- has improved considerably. Last, but not least, a new type of cooperation, minimizing their environmental impact, was instituted with industries that benefit of the waste water treatment services provided by RAJAC.

This last aspect is even more important, as it supports the requirement to comply with the environmental and environmental management conditionalities imposed to RAJAC by the Financing Memorandum for ISPA. RAJAC is the beneficiary of a Euro 61.2 million financing program, most of it provided as non-reimbursable credit. The ISPA Project will be developed in the period between 2003-2006.

#### THE PUBLIC RELATIONS DEPARTMENT OF RAJAC CLUJ

*Translation of the article published in the local newspaper "Crisana", on May 27, 2003*

### **5. Thank You U.S. AID!**

Sinteza S.A, and Chimprod S.A. (companies) benefited of a USAID-financed project for the implementation of Environmental Management Systems and pollution prevention. Following project implementation, use of received equipment and monitoring, the environmental problems are more efficiently controlled and important environmental benefits are obtained by significantly reducing the amount of discharged pollutants.

Sinteza S.A and Chimprod S.A. will further develop the EMS in order to obtain ISO 14001 certification.

We would like to use this opportunity to thank USAID for financing the project and to our consultants from Chemonics International USA, Auditeco and CAST Consulting for bringing the project to a successful end.

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## **H. East and Central Africa Global Competitiveness Hub, TO#819**

***Start Date: September 16, 2002***

***End Date: September 15, 2003***

***Amount of Delivery Order: \$1,499,933.00***

### **1. Building Capacity for Trade Policy Formation**

In February 2003 COMESA established a working group to spearhead the development of a COMESA Framework for Trade in Services. Through Short-term technical assistance the Hub provided two terms of reference related to Trade in Services. The first focused on a framework for a Working Group within COMESA specializing in Trade in Services; while, the second TOR created a study on trade in services within the region. The work began in May 2003, and COMESA-wide workshop for trade in services is scheduled for mid - July.

Instead of arranging public relations and communications training for the COMESA secretariat, the Hub was provided a consultant who could prepare a public advocacy strategy for the organization. The strategy is a long-term plan concentrating on the strategic use of information to exert a positive influence on the perception held by various targeted stakeholders who include journalists, MPs, Ministers, civil servants, business people and students with regard to COMESA and its aims. To further aid COMESA in its implementation, the strategy includes short- and medium-term goals and measurable objectives.

## **2. Development and Implementation of Private Sector Business Support Strategies for Increasing Trade under AGOA**

Hub personnel will visit handicraft production cooperatives in Kenya that are recommended by the Kenyan Export Promotion Council and the Kenya National Chamber of Commerce and Industry. During these sessions pre-screening of the groups was conducted to identify those that will be assisted by consultants and be able to participate in upcoming trade missions. During the quarter, the three groups participating in the Sources show in New York City in May were assisted. Preparations required for effective participation in the show - i.e. making brochures/catalogues of products, price lists, business cards and the need for digital photos and organization profile were discussed. These details will aid in pre-scheduling one-on-one meetings at the upcoming trade shows.

The AGOA Implementation Advisor went on a mission to Tanzania to visit and pre-screen targeted companies, in advance of a visit to the region by a handicraft consultant, Jasperdean Kobes, in June. Targeted companies working in particular materials (natural fibers, pottery, jewelry, textiles) in Kenya, Uganda, Tanzania, Rwanda, and Madagascar will be assisted in developing marketable high quality sample products. Emphasis will be on developing contacts and communicating with buyers/wholesalers to target for exports from selected companies in the region. In this regard company profiles and digital photos of products will be prepared and disseminated to these buyers. Meanwhile one-on-one meetings will be scheduled with interested buyers/wholesalers and companies on trade missions to the U.S. and the region.

Ms. Kobes held discussions with trade show organizers to identify the most appropriate trade fairs to target for the different producers. Buy-in was gained from show organizers and wholesalers/buyers to meet with producers in an exclusive venue for one-on-one meetings at the trade events. The Hub has arranged support from GTN, IESC and ALINC offices in DC in arranging meetings.

After consultation with the US Embassy/USAID in each country Madagascar, Rwanda, and Uganda will be assisted with their Category 9 applications. Kenya will be provided with help to establish the documentation and procedures for implementation of its Category 9 certification.

## **3. Improving the Efficiency and Reducing the Cost of Trade-Related Transportation**

### **Consultative Visits/Meetings:**

The Regional Transportation Advisor undertook consultations and participated in the following meetings,

which are directly relevant to promoting ECA Hub activities, coordination and collaboration with other key players in the transportation sector:

1. East African Community (EAC) Consultative Donor Conference on Infrastructure - April 29-30, Arusha
  - This Conference brings together donors and governments of the EAC to consider modalities for attracting investment into the infrastructure sector in the three EAC countries of Kenya, Uganda and Tanzania
2. Northern Corridor Private Sector Stake holder's Forum - May 8 2003, Nairobi
  - The Northern Corridor Stake holder's Forum brings together public and private sector stakeholders to review issues affecting the operation of the Corridor. The Forum is an important avenue to promote dialogue between governments and the private sector
3. Third East African Trade and Investment Summit - May 12-14, Atlanta
  - The Summit brings together U.S. investors and other players as well as the Heads of State of the EAC countries and other key public-private sector stakeholders from the three EAC of Kenya, Tanzania and Uganda to strengthen cooperation between the U.S. and EAC in trade, investment and infrastructure development
4. Consultations with Selected Institutions, - May 17-23 - Washington D.C
  - Consultations with key players in Washington notably, DOT, OPIC, IFC, World Bank, EximBank, IP3 and others to foster collaboration as feasible
5. World Bank -SSATP Annual Meeting - May 25-29 – Kigali
  - Annual meeting of the World Bank funded Sub-Saharan Africa Transport Program (SSATP) to review progress in the implementation of the SSATP and emerging transport initiatives in East Africa and Africa generally

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**H. Bolivia Trade and Competitiveness Hub, TO#820**

***Start Date January 01, 2003***

***End Date: December 31, 2004***

***Amount of Delivery Order: \$6,357,491.00***

## **1. Background**

This is the second quarterly report related to the Bolivian Trade and Business Competitiveness Activity (BTBC). BTBC is the result of the signature of Contract No. PCE-I-00-98-00015-00, Task Order 820, between USAID/Bolivia and Chemonics International Inc. on December 31, 2002. The project's implementation began on late January, 2003, being its estimated completion date December 31, 2004.

## **2. Tasks and Objectives**

1. Improve the local business environment and operating conditions by overcoming systemic and other constraints; to improve competitiveness and enhance export oriented economic growth. Among others, aspects that contribute in the creation of such productive "environment" include:
  - Institutional, legal, administrative and regulatory conditions;
  - Capacity building of human resources, especially in the areas of international trade and trade negotiations;
  - Effective coordination and collaboration among the private and public sectors, especially in efforts oriented towards taking advantage of trade concessions offered by key commercial agreements like ATPDEA.
2. Stimulate the private sector towards the competitive production of export-oriented goods and services, particularly in the sectors of: secondary wood products, textile apparel, leather goods and jewelry. The approach is eminently results-oriented, seeking the generation of significant short term results, overcoming clearly defined limitations to meet existing market demand. This will be achieved as efficiently as possible by creating linkages between productive companies and market opportunities in the local, regional and international contexts.
3. Define, develop and analyze long term interventions to improve Bolivia's commercial and competitiveness capacity in a larger scale.

The activity's final goal is to help Bolivia in reducing its poverty levels through increased investment and job opportunities, as a result of improvements in productivity and access to international markets.

## **3. Relevant Achievements during the Reporting Period**

During this quarter, both the Project team and logistics were consolidated, thus enabling the identification and implementation of specific projects, in the areas of competitiveness environment strengthening and direct support to productive activities. Likewise, coordination and collaboration with the Government counterpart, the Ministry of Economic Development, as well as with other public and private organizations related with productive and export activities were enhanced.

Some of the most relevant achievements of the Project during the reporting period follow:



1. In order to enhance its capability of generating and implementing projects to support the productive sector, BTBC hired six specialists to work in the following sectors: two specialists in the textile/apparel sector, two in the jewelry sector, one in the leather goods sector and one in the secondary wood products sector. These specialists work under the supervision of Mr. Carlos Woolgar, Productive Sector Support Manager, and also work in close coordination with the Ministry of Economic Development, mainly through its ATPDEA National Coordination Office. Their main responsibility is to identify productive projects that can be supported by BTBC; design support programs for the identified projects and in some cases even provide technical assistance. They also are responsible to be updated with their sector's situation in order to nourish and strengthen BTBC's sector's strategies.
2. During the reporting period, BTBC has considerably expanded its productive sector support project portfolio, being many of these projects in the implementation stage. It is important to mention that there has been an important change in the orientation of these projects, since the main promoters of the "maquicentro" concept, Ametex and United Furniture, have not been able to carry out their original proposals. Therefore, BTBC has identified alternative projects with short term or immediate feasibility that at this stage do not include the two previously mentioned companies.
3. By the end of the reporting period, BTBC has six fully developed projects in the area of productive sector support. These projects were developed based on a detailed analysis performed in coordination with the beneficiary companies and are as follows:
  - Textile Apparel Sector: Support to "ASEA Ltda." and to "Confecciones Record".
  - Jewelry Sector: Support to "Exportadores Bolivianos" and to "Minerales y Metales".
  - Secondary Wood Products Sector: Support to "Industrias de Madera Roda".
  - Leather Goods Sector: Support to "Macaws"

Scopes of work and grant requests have already been prepared for each of these projects, depending on the type of support to be provided by BTBC, that ranges from technical assistance in relocating a silver casting manufacturing operation to Bolivia to resources to train hundreds of workers in leather goods and apparel manufacturing. All support programs have been discussed and approved by USAID/Bolivia, enabling the implementation of our support, through specialized consultants and resources for training programs, in the following weeks. Three of the companies involved in these projects (Confecciones Record, Minerales y Metales and Industrias de Madera Roda) were visited by the U.S. Ambassador in Bolivia, Mr. Greenlee.

4. Six additional projects are being currently developed in the area of productive sector support and it is estimated that they will be ready in the next two months. These include three projects in the textile/apparel sector (Maquibol, Ametex and Texco), two in wood products (Mabet and United Furniture) and one in jewelry. 15 other potential projects in the area of productive sector support are being analyzed to determine their feasibility and the areas in which BTBC can support them.
5. BTBC is supporting the Ministry of Economic Development in their efforts to enhance access to capital for productive companies, particularly in the textile, leather, jewelry and wood products sectors. In this sense, a scope of work was prepared and approved for a consultant to support the

development of Business Plans for small and medium enterprises interested in forming “maquicentros”. These Business Plans will be the basis to obtain financial resources from a recently constituted \$3.8 million dollar fund to support “maquicentros”. Additionally, and answering a request made by the Ministry of Economic Development, BTBC will hire a consultancy firm to develop a second fund aimed to support the productive sector. This fund may receive between \$15 to \$25 million dollars from NAFIBO and CAF. For this purpose, BTBC is carrying out a competitive process to select the company which will perform the required work.

6. Following a request from the Ministry of Economic Development and the “Camara Nacional de Exportadores de Bolivia” (CANEB), BTBC will support a group of 15 to 20 companies from the apparel sector in their participation in the “Magic Marketplace”, one of the most important fairs in the sector worldwide, to take place in Las Vegas during August.
7. BTBC assisted FUNDAPRO in the recruiting process to identify a candidate to lead an ambitious Wood Collecting Hub project. The candidate was identified, but the project is still under revision to ensure that it still has the private sector support.
8. Following a request from the Vice-ministry of International Economic Relationships (VREI), a group of consultants has been hired to support Bolivia in the development of a Trade Capacity Building Strategy, under the framework of the Hemispheric Cooperation Program for FTAA’s Small Economies. This strategy shall be completed and delivered to Bolivian authorities for its presentation to the FTAA representatives during the first days of August.
9. BTBC has also worked with the VREI in the development of the scopes of work for two studies which will contribute to the understanding of possible impacts that regional and hemispheric commercial treaties could bring to Bolivia. One of these studies will identify, under the FTAA framework, productive sectors with export potential, as well as sectors that might confront risks. Likewise, the second study will focus in performing a detailed analysis about the evolution and perspectives of the soybean sector within the FTAA. This sector currently accounts for around 30% of the total Bolivian exports.
10. A specialized consultant has been hired to analyze and clarify the which legal norm is being applied in Bolivia in the field of intellectual property rights. The consultant will seek to confirm the hypothesis supporting that the Andean Community legislation has preeminence in Bolivia, which would imply compliance with international requirements in this area. At the same time, the performed work would strengthen Bolivia’s international image and would backup the Government in evaluations concerning compliance with trade related intellectual property rights. It is expected that the Government or the Supreme Court will officially announce the preeminence of the Andean legislation.
11. The Ministry of Economic Development has requested that the Congress approves a law that will put in effect the Patent Cooperation Treaty. The Senate has already approved the law which is now pending approval from the Chamber of Deputies.

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## **II. Proposal Activity**

### **A. Proposals Won**

### **B. Proposals Lost**

1. Indonesia Ag Sector Review
2. Serbia Competitiveness and Economic Efficiency

### **C. Proposals Not Submitted**

1. Senegal IF Implementation
2. Ukraine WTO

### **D. Proposals Pending**

1. Columbia Forestry
2. Paraguay Poverty Reduction
3. Columbia Enterprise Development
4. Mozambique Business Associations
5. Morocco Economic Opportunities
6. Kosovo Energjetike e Kosoves (KEK) Institutional Strengthening
7. Romania PRIDE
8. Indonesia GIAT
9. Increasing the Development Impact of Economic Growth Paradigms
10. Bosnia PRIDE
11. Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy

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## **III. Contract Quarterly Financial Report**

This information is included in Annex A of the report.

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#### **IV. Technical Reports and Deliverables**

- A. Support to US-Egypt Business Council
  - 1. Transition Report
  - 2. Trade and Investment Dashboard – Quarterly Update June 2003
  - 3. Report on Economic and Trade Policy Developments
- B. Technical Support for Procurement and Project Management and Private Sector Participation (PSP) to the Ministry of Water and Irrigation, Water Authority of Jordan and the Jordan Valley Authority, TO #814
  - 1. Proposed Financial Management and Accounting System for the Aqaba Water Company: Initial Design and Training Recommendations Report
  - 2. Proposed Organization and Staffing for the Aqaba Water Company: Strategies and Plans Report
  - 3. Final Signed MOU
  - 4. Training Needs Assessment Report

# ANNEX A

## *General Business, Trade & Investment IQC Quarterly Financial Report*

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2003	Balance	Estimated Completion Date	Actual Completion Date	Balance In Days (LOE)
TO #804 Egypt Presidents' Council	\$1,352,436.00	\$986,852.00	\$365,584.00	12/31/2004	N/A	585.15
TO #820 Bolivia Trade and Competitiveness Hub	\$4,500,000.00	\$584,600.03	\$3,915,399.97	12/21/2004	N/A	3909
TO #814 Technical Support for Procurement and Project Management and Private Sector Participation in Jordan	\$3,026,846.50	\$64,297.94	\$2,962,548.56	1/31/2004	N/A	1531
TO #813 Tanzania Tax and Mining Policy	\$1,629,987.00	\$1,078,125.43	\$551,861.57	12/31/2003	N/A	508
TO #811 Ukraine Land Systems Initiative	\$10,838,975.00	\$7,259,523.82	\$3,579,451.18	9/30/2003	N/A	465
TO #816 Romania Environmental Management and Pollution Prevention Project	\$1,030,522.00	\$904,785.89	\$125,736.11	9/30/2003	N/A	1135

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2003	Balance	Estimated Completion Date	Actual Completion Date	Balance In Days (LOE)
TO #819 East and Central Africa Global Competitiveness Hub	\$1,499,933.00	\$1,154,555.49	\$345,377.51	9/15/2003	N/A	257.38
TO #815 Moldova Financial Management Training and Advisory Activity (FMTAA)	\$2,212,579.00	\$1,472,583.00	\$739,996.00	8/12/2003	N/A	224
TO #3 Macedonian Business Resource Center	\$1,905,944.00	\$1,898,784.84	\$6,159.20	5/31/2003	N/A	0
TO #818 Eritrea Economic Growth and Food Security Sector Assessment	\$198,584.00	\$59,504.99	\$139,079.01	10/15/2002	N/A	N/A
TO #809 Activity Management Services in Agadir	\$1,656,868.00	\$1,491,941.00	\$164,927.00		7/14/2002	N/A
TO #817 Bangladesh Competitiveness Study	\$218,205.00	\$172,500.04	\$45,704.96		12/27/2001	N/A
TO #4 Competitiveness Study	\$40,000.00	\$36,654.10	\$3,345.90		12/14/2001	N/A
TO #805 Nigeria Macroeconomic Policy	\$1,995,020.00	\$1,945,870.95	\$49,149.05		11/9/2001	N/A
TO #810 Guinea Revalidation of Mission's 7 year Strategic Plan	\$189,553.00	\$188,116.55	\$1,436.45		10/31/2001	N/A

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2003	Balance	Estimated Completion Date	Actual Completion Date	Balance In Days (LOE)
TO #812 Malawi Garment & Textile	\$63,246.00	\$59,739.62	\$3,506.38		9/30/2001	N/A
TO #2 Global Technology Network	\$1,996,114.02	\$1,939,435.97	\$56,678.05		9/4/2001	N/A
TO #803 Angola Evaluation of mission's 7-Year Strategic Plan	\$35,700.00	\$35,700.00	\$0.00		11/3/2000	N/A
TO #806 Ukraine Alternative Fuels	\$65,290.00	\$62,054.78	\$3,235.22		4/30/2000	N/A
TO #802 Ukraine Business Incubator	\$75,628.00	\$72,543.37	\$3,084.63		11/17/1999	N/A
TO #1 Office of Emerging Markets	\$50,000.00	\$0.00	\$50,000.00		9/30/1999	N/A
TO #801 Guinea Ag II	\$77,336.87	\$74,427.12	\$2,909.75		9/17/1999	N/A
TO #800 Guinea Ag Loan Guarantee	\$49,684.00	\$49,705.50	-\$21.50		7/30/1999	N/A